Written Testimony of JoAnne Bauer, Hartford Resident

in support of Raised Bill , An Act Concerning a Public Bank for CT

I support a public bank for CT, based on investigating its many advantages over private banks. Below, I've included materials from MoveOurMoney.net, Demos website, Alternative Banking website, and others about public banking.

It's time that states, counties, and cities control their own destiny with a democratic approach to money. Our sister state of **Vermont** has at least THREE bills introduced into its state legislature -- one for a state bank study, one for a state currency, and one for a state voucher/warrant system.

The time for public institutions to place *public* money into *private* banks, which then use the public money for their own private gain, is over. Private banks have squandered the public trust. Public money should be placed in public institutions -- public banks -- for the benefit of the public. Assuming safety, liquidity and return can be adequately addressed, there is no reason for governments NOT to put the public's money into public banks. After all, public banks ensure that the money is used for the benefit of the very same people who generated that money in the first place!

Public banking means operating in the public interest via institutions owned by the people through their representative governments. Public banks can exist at all levels, from local to state to national or even international. Any governmental body which can meet local banking requirements may, theoretically, create such a financial institution.

Public banking is distinguished from private banking in that **its mandate begins with the public's interest.** Privately-owned banks, by contrast, have shareholders who generally seek short-term profits as their highest priority.

Public banks are able to reduce taxes within their jurisdictions, because their profits are returned to the general fund of the public entity. The costs of public projects undertaken by governmental bodies are also greatly reduced, because **public banks do not need to charge interest to themselves.** Eliminating interest has been shown to reduce the cost of such projects, on average, by 50%.

When the public interest demands, **the mission of public banks is to respond immediately, to assure the long-term prosperity of the community.**

- It holds the public assets (treasury plus debt/loans made);
- It does not compete, per se, with private - or other public - banks;
- Rather, it shapes the activities of those banks by establishing various loan and financing programs that are good for people (farm loans, student loans, small business, etc.);
- It makes the treasury available to the private banks to participate in those programs;

In this way, the state (under the policies set by the government) controls the terms of those programs apart from the "market", in theory at least enabling the state to set reasonable interest rates and to direct financing programs where they are most needed for the economic health of the state and its citizens.

Lessons can clearly be drawn from the almost 100 years of existence of the public Bank of North Dakota**,** If modeled on the successful Bank of North Dakota, Public Partnership Banks in other states could:

Create new jobs and spur economic growth

- Generate new revenues for states
- Lower debt costs for local governments
- Strengthen local banks and even out credit cycles
- Build up small businesses.

Create new jobs and spur economic growth. Partnership Banks are participation lenders, meaning they partner—never compete—with local banks to drive lending through local banks to small businesses•

Generate new revenues for states directly, through annual bank dividend payments, and indirectly by creating jobs and spurring local economic growth.

Build up small businesses. In markets increasingly dominated by large corporations and the banks that fund them, Partnership Banks would increase lending capabilities at the smaller banks that provide the majority of small business loans in America.

As of the spring of 2010, North Dakota was also the only state sporting a major budget surplus; it had the lowest unemployment and default rates in the country; and it had the most community banks per capita, suggesting that the presence of a state-owned bank has not only not hurt but has helped the local banks.

The BND was founded in 1919 to insure a dependable supply of affordable credit for its farmers, ranchers and businesses. Without affordable credit, average Americans who do not have substantial wealth cannot make the investments in their families and small businesses necessary to insure a prosperous future.
The Bank of North Dakota makes low interest loans to students, existing small businesses and start-ups. It partners with private banks to provide a secondary market for mortgages and supports local governments by buying municipal bonds.

The public banking model used by the State of North Dakota is simple - the State of North Dakota is doing business as the Bank of North Dakota (BND). That means all the state's assets are used to capitalize the BND. By law, all the state’s revenues are also deposited in the Bank. Among other advantages, this gives the BND the ability to participate in loans originated and led by private banks, which then have more flexibility to manage and expand their loan portfolios.

As a public bank, the Bank of North Dakota pays its dividend to its only shareholder - the people of the state. In the past decade, despite its small population and modest volume of economic activity, the Bank of North Dakota has returned over $300 million to the state's general fund, helping to ensure regular annual surpluses and eliminate the need for drastic tax increases or spending cuts for vital public services.

Most states, with the exception of North Dakota, currently deposit their tax revenues (the public's money) in private Wall Street banks, which use these deposits for their own private gain. This money could be deposited in the state's own bank and used to fund projects and programs that benefit the public over the long term - the very same projects/programs that are currently being cut from state budgets.

The Bank of North Dakota is only one of many public banking models that have developed historically around the world. For most of the twentieth century in Australia, the publicly-owned Commonwealth Bank of Australia was not only the nation's central bank but engaged in commercial banking, "keeping the other banks honest." In Alberta, Canada, the publicly-owned Alberta Treasury Branches connect nearly every town in a shared credit system. Public and private banks operate effectively together in many countries, including Switzerland, Germany, India, China and Brazil.

People and businesses across America are drowning in unsustainable debt. They face a flood of foreclosures, many with home values that are "underwater." Meanwhile conventional banks keep credit tight, drying up the very resource that businesses need to hire more people and get the economy moving again. If each state had its own public banking institution, today's drastic situation might be very different.

-- from MoveOurMoney.net, a coalition of organizations which advocate that school districts, local, and state governments move OUR money from the private banks to public banks. Members of this coalition believe in a democratic economy – with a monetary system that is democratically managed by public institutions. The best way to end the hegemony and fraud so evident in the existing private monetary system is to simply not participate in it, by creating a separate credit-generating system through public banks that will better serve the people.